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July 14, 1995

BY HAND DELIVERY

Mr. William F. Caton
Acting Secretary
Federal Communications Commission
1919 M Street, N.W., Room 222
Washington D.C. 20554

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Re: CC Docket No. 95-72
End User Common Line Charges

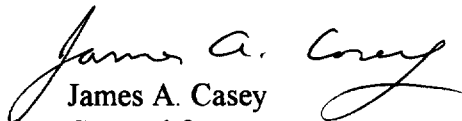
Dear Mr. Caton:

Transmitted herewith, on behalf of Roseville Telephone Company, are an original and nine copies of its Reply Comments in the above-referenced docket.

Should there be any questions concerning this matter, please communicate with the undersigned counsel.

Very truly yours,

FLETCHER, HEALD & HILDRETH, P.L.C.


James A. Casey
Counsel for
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JAC/cej
Enclosures

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The vast majority of commenters in this proceeding support the one SLC per facility approach outlined by the Commission in the NPRM. They argue that to do otherwise would stifle the deployment of ISDN and would not reflect accurately any additional loop costs incurred due to ISDN. Some commenters, however, fearing a drop

in SLC revenues and a corresponding increase in CCL charges, argued for alternate methods in an attempt to maintain higher SLC revenues. None of these alternate approaches accurately reflect the costs of providing ISDN, nor do they meet the purpose of the SLC.¹

Since the SLC is meant to recoup a portion of the non-traffic sensitive ("NTS") costs associated with the local loop, it makes sense to increase SLC revenues only when there is an increase in fixed costs. As US West showed in Appendix A of its Comments, multi-channel services incur minimal additional NTS costs.² To the extent that additional costs exist, however, they are offset by the fact that multi-channel services, such as ISDN, provide a more efficient use of the network by promoting higher usage over a single pair of wires. An increase in the minutes of use of the network decreases the per-minute CCL charge.

Both US West and AT&T propose compromise methods. Operating under the assumption that businesses will continue to purchase ISDN even if they are assessed multiple SLCs, AT&T proposes that residential BRI ISDN customers be charged a single SLC while ISDN PRI subscribers be charged SLCs on a per derived channel basis.³

¹ The primary purpose of the SLC is the recovery of a portion of the non-traffic sensitive local loop costs associated with providing access to interstate telephone service. The idea is to charge the subscriber with a portion of the costs of providing the physical line link to the local network. See NYNEX Telephone Companies Tariff Transmittal No. 116, 7 FCC Rcd 7938 (1992), *recon. denied*, 10 FCC Rcd 2247 (1995).

² U.S. West's calculations reveal that ISDN has average monthly NTS costs of \$18.52, while single-channel services incur monthly NTS costs of \$17.34. See U.S. West Comments at Appendix A.

³ AT&T also proposes a \$.25 increase in SLC to offset reductions in SLC revenues.

This approach is conceptually similar to that of US West which would charge one SLC for ISDN BRI and eleven SLCs for ISDN PRI service. Not only do both proposals fail to address the fact that the CCL charges will actually decrease with greater use of derived channel services, they also over-recover for NTS costs. PRI service utilizes a T-1 facility and is charged separately as a dedicated service. The NTS costs for the T-1 loop are completely covered by the special access charges and rules. Therefore, applying multiple SLCs to the PRI interface not only makes the service cost prohibitive, but also recovers costs which are already being recovered through other charges.⁴ There is no reasonable justification for burdening ISDN services with more than one SLC. Any other approach would create an artificially inflated cost recovery scheme and would be inappropriate, based on the current costs and cost recovery of ISDN services.

NYNEX provides further support for this point in its Comments. Under the Commission's separation rules, loop-related costs of derived channel services are classified as "wideband," and are assigned to the state jurisdiction.⁵ The application of multiple SLCs, therefore, results in a misalignment of revenues and costs. While loop-related costs are assigned to the state jurisdiction, revenues are recovered in the interstate common line rate elements. Such a scheme is inappropriate. Costs for these "wideband" services are recovered through the appropriate state exchange rates.

⁴ In Roseville, ISDN is a feature that is put on a "POTS" line. The actual line from the central office to the customer is the same whether it is for a business, residence, centrex or PBX. What differentiates these lines from a derived channel service is the software and equipment placed at the end of the line in the central office. The cost of the software and equipment is met by service charges. Therefore, there are no additional NTS costs left to recoup.

⁵ See NYNEX Comments at 10-13.

The appropriate NTS costs for derived channel services are recovered under the single SLC per facility approach. Unfounded fears of higher CCL charges, and thus, higher long distance telephone rates, do not change this fact, and so, do not justify greater "cost" recovery. If other policy concerns actually are behind the efforts to inflate SLC revenues, then they should be explicitly dealt with under separate rules, not disguised as part of the access charge scheme.

II. Multiple SLCs Will Discourage Deployment of ISDN, as Well as Other Derived Channel Services.

As Roseville stated in its Comments, ISDN is an important tool for the development of the NII, and advanced services to be provided over the public switched network. Application of an SLC per derived channel would drastically increase the cost to the subscriber of ISDN and other services, and thus stifle rapid development and deployment of important technologies.⁶ This problem would be greatly exacerbated by cost recovery approaches which do not take into account future derived channel technologies. AT&T's approach, for example, would force Roseville to assess 672 SLCs when providing video or other broadband features over DS3 services. This represents SLC charges, which are in addition to the direct charges for those services, of \$2,352 per month for residential service and \$4,032 per month for business service. Needless to say, under these circumstances, demand for services using new, more efficient technologies, would be virtually nil.

In addition, as demand for broadband services increases, it will make sense for telephone companies to provide access to varying amounts of bandwidth on an as

⁶ See Roseville Comments at 5.

needed basis, greatly enhancing efficient use of the network. It is unclear, however, how SLCs on derived channels would be charged in that scenario. A single SLC per facility solves this problem. One SLC will be charged, and the costs of providing the wideband services will be recovered through special access rates and service charges.

The result of this proceeding must be a decision which will take into account future derived channel services and encourages development and deployment of advanced telecommunications infrastructure. Increasing the number of SLCs charged on a derived channel service will negatively impact current and potential customers as well as the services themselves. Roseville would see a loss of revenues as current customers abandon derived channel technologies in exchange for less efficient, less expensive network services. As a result, development of more advanced services would halt and the opportunity to decrease the CCL through more efficient use of the network would be lost. This outcome cannot be the goal of any of the interested parties in this proceeding and is certainly not good policy for the Commission.

III. Conclusion

When the Commission enacted the current access charge rules, it did not foresee the provision of multiple channels over a single line as is made possible by ISDN. Rules and policies based upon old technology and unfounded fear of higher CCL charges must not be used to justify improper rate-making schemes. Local loop costs

should be recovered through an SLC collection method which is rationally related to the actual costs for those loops. A single SLC per line per subscriber is the only method which meets this criterion.

Respectfully submitted,

ROSEVILLE TELEPHONE COMPANY

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July 14, 1995

BEFORE THE

Federal Communications Commission

WASHINGTON, D.C. 20554

In the Matter of)
)
End User Common Line) CC Docket No. 95-72
Charges)

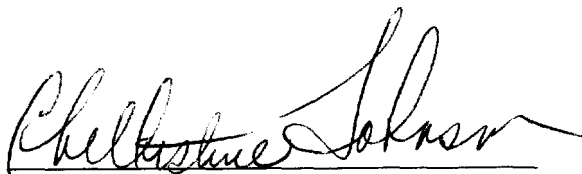
CERTIFICATE OF SERVICE

I, Chellestine Johnson, a secretary in the law firm of Fletcher, Heald & Hildreth, P.L.C., do hereby certify that copies of the foregoing "Reply Comments" were sent this 14th day of July, 1995, by first-class United States mail, postage prepaid, to:

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